



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Management Letter

**Maricopa County**  
**Community College District**  
Year Ended June 30, 2002

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**Debra K. Davenport**  
Auditor General

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

May 12, 2003

Governing Board  
Maricopa County Community College District  
2411 West 14<sup>th</sup> Street  
Tempe, AZ 85281-6942

Members of the Board:

In planning and conducting our single audit of Maricopa County Community College District for the year ended June 30, 2002, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the District's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the District's Single Audit Reporting Package for the year ended June 30, 2002. In addition, our audit disclosed an internal control weakness that does not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendations are described below.

**The District needs to accurately record its  
depreciation expense and accumulated depreciation**

During the year ended June 30, 2002, the District implemented Governmental Accounting Standards Board Statement No. 35, which requires that the District record depreciation expense and report its capital assets, net of accumulated depreciation. The District had \$296 million of capital assets being depreciated, net of accumulated depreciation of \$186 million at June 30, 2002, and recorded depreciation expense of \$21.5 million during the year then ended. Therefore, it is essential that the District maintain accurate records to accurately record its depreciation expense and accumulated depreciation.

However, a number of errors were noted in the District's spreadsheets used to calculate depreciation expense and the balance of accumulated depreciation. For example, formulas used were incorrect and not all depreciable assets were included on the spreadsheets. Significant effort was made by auditors and District employees to correct the spreadsheets. However, the District's financial statements were not adjusted for these errors, which resulted in a net understatement of depreciation expense and accumulated depreciation of approximately \$500,000 and \$1,900,000, respectively.

To help ensure the integrity and accuracy of depreciation expense and accumulated depreciation amounts recorded on the District's financial statements, the District's procedures should include the following:

- Checking the accuracy of formulas used,
- Determining that all depreciable assets acquired during the year have been included,
- Verifying that the useful lives are in accordance with district policies, and
- Assigning a supervisor to review and approve the spreadsheets for reasonableness.

This letter is intended solely for the information of the Maricopa County Community College District Governing Board and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA  
Financial Audit Director



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DR. FRED GASKIN

CHANCELLOR

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April 28, 2003

Debbie Davenport  
Auditor General  
Office of the Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

The following is Maricopa County Community College District's response to the management letter for fiscal year ended June 30, 2002.

**The District needs to accurately record its depreciation expense and accumulated depreciation.**

Concur. The District has adjusted its current year depreciation expense to accurately state depreciable asset balances and accumulated depreciation. Procedures have been reviewed and modified to include an independent review of all depreciation schedules for reasonableness, completeness and consistency. This should minimize if not prevent similar errors from occurring in the future as well as ensure that all depreciable assets and their respective depreciation are properly recorded as of June 30, 2003.

Sincerely,

Richard D. Swigart Jr., CGFM  
Principal Accountant

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